

# ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Chavez Analyst: Kristina E. North Bill Number: AB 132  
Related Bills: See Legislative History Telephone: 845-6978 Amended Date: April 21, 2003  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Priority Used For The Addition Of Voluntary Contribution Designations To The Tax Return

### SUMMARY

This bill would:

- ♦ provide a statutory rule to prioritize the addition of voluntary contribution designations to the tax return; and
- ♦ authorize the Franchise Tax Board (FTB) to add one or more voluntary contribution designations to the tax return under certain circumstances.

### SUMMARY OF AMENDMENTS

The April 21, 2003, amendment replaces the language relating to the California Fund for Senior Citizens with the general voluntary contribution language discussed in this analysis. The department's analysis of the bill as introduced January 16, 2003, no longer applies.

### PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to create a clear statutory method of adding voluntary contributions to the tax return, thus eliminating any disputes regarding the order that voluntary contributions are added to the tax return.

### EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative beginning January 1, 2004.

### POSITION

Pending.

### ANALYSIS

#### STATE LAW

Current federal tax law provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director  
Brian Putler

Date  
04/28/03

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the eleven voluntary contribution funds listed on the state tax return. Since space is limited on the state income tax return, any new voluntary fund contribution designation generally requires an existing voluntary contribution to come off the return before the new one is added. This kind of voluntary contribution designation is generally referred to as a contingent voluntary contribution designation.

### THIS BILL

This bill would:

- ◆ Define “contingent voluntary contribution designation” as a voluntary contribution designation that may not be added to the tax return until another voluntary contribution designation is removed from the tax return.
- ◆ Specify that if the number of contingent voluntary contribution designations eligible for addition to the tax return is greater than the number of voluntary contribution designations to be removed, any new designations would be added beginning with the earliest chaptered enactment date.
- ◆ Specify that the date of enactment of a contingent voluntary contribution designation is the date that the act adding the voluntary contribution designation was filed with the Secretary of State. In the event that more than one act adding a voluntary contribution designation was filed on the same date, the act with the lowest chapter number would be added to the tax return before another act with a higher chapter number.
- ◆ Authorize FTB to add one or more voluntary contribution designations to the tax return if it is determined that space is available on the tax return.

### IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department’s programs and operations.

### **OTHER STATES’ INFORMATION**

*Illinois, Massachusetts, Michigan, Minnesota, and New York* allow for taxpayer contribution designations on the personal income tax returns.

*Florida* does not have a personal income tax but allows contribution designations on the state’s motor vehicle registration and renewal forms.

None of these states provides a voluntary contribution provision comparable to the one proposed by this bill.

**FISCAL IMPACT**

This bill would not significantly impact the department's costs.

**ECONOMIC IMPACT**

This bill would not impact the state's income tax revenue.

**LEGISLATIVE STAFF CONTACT**

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